

MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
WEDNESDAY, JANUARY 28, 2009, 2:00 P.M.
Room W020, House Building, State Capitol Complex

Members Present: Sen. John Valentine, Co-Chair
Rep. Kory M. Holdaway, Co-Chair
Sen. Gregory S. Bell
Sen. Ross I. Romero
Sen. Stephen H. Urquhart
Rep. Trisha S. Beck
Rep. Melvin R. Brown
Rep. Bradley M. Daw
Rep. Kay L. McIff
Rep. Carol Spackman Moss
Rep. Evan J. Vickers
Rep. C. Brent Wallis
Rep. R. Curt Webb
Rep. Mark A. Wheatley

Members Absent: None

Staff Present: Spencer Pratt, Fiscal Manager
Lorna Wells, Secretary

Public Speakers Present: Dr. Dennis Jones, President of National Center for Higher Education
Management Systems
President Michael Young, University of Utah
Dr. Chris Johnson, Director, Scientific Computing and Imaging Institute
Dr. Guido Gergig, SCI Faculty Member Bioinformatics Research

A list of visitors and a copy of handouts are filed with the committee minutes.

1. Call to Order—Committee Co-Chair Holdaway called the meeting to order at 2:20 p.m.
2. Dr. Dennis Jones, President of National Center for Higher Education Management Systems (NCHEMS). Dr. Jones made a presentation regarding Higher Education and the future of Utah. He stated that it is important to not only think of the appropriations necessary for Higher Education in Utah, but it is also important to think about what the State needs from Higher Education. Some of the topics discussed were:

Utah's population is much younger than national levels; so a higher proportion of the population are non- wage earners. Utah has a higher population of individuals who have started a degree but have not completed a degree. Utah now has a population where the younger generation is less educated than their parents. The population of Utah is changing dramatically; there is more racial diversity and ethnicity than in the past. The Hispanic population in Utah has very little experience in Higher Education. Utah imports talent at all levels; but exports talent at the Baccalaureate level. Utah pays above the national average for individuals without a college degree. Utahns who have a college

degree earn less than individuals with college degrees in other states. There are more part-time workers in Utah. The percentage of degrees in STEM fields are among the lowest in the nation. Utah needs to compare how the needs of all of Utah are served, not just the Wasatch Front. Educational levels and income levels vary from county to county by as much as 400 percent. The tax rate in Utah is very close to the national average. Dr. Jones showed a graph depicting that the tax effort in Utah was very close to the U.S. average, while the tax capacity (the total taxable resources per capita) was about 85 percent of the U.S. average, due to the larger number of non-wage earners. It would be difficult to increase performance without increasing expenditures. All states have a financial deficit. The tuition levels of Utah are lower than the national average. Utah spends less per student than the national average.

Sen. Bell, Sen. Urquhart, Rep. McIff, Rep. Vickers, and Rep. Holdaway asked for clarification on certain areas of the presentation.

Rep. Webb asked whether technical colleges or private schools are included the statistics.

Dr. Jones reported that the only individuals who have completed a certificate, or degree in public institutions are included.

Sen. Urquhart thanked Dr. Jones for being here.

MOTION: Sen. Valentine moved to approve the minutes for January 12th, and January 21st.

The motion passed unanimously.

3. President Michael Young, University of Utah. Pres. Young is very committed to supporting this Committee and the state. All of the institutions have made presentations as to how the budget cuts will impact their institutions. Pres. Young wanted to focus on a different aspect. What happens to the state in light of the budget cuts made to the University? Utah is very efficient in Higher Education; with limited funding, and high levels of performance. This is also true with research. He showed a chart of the 31 institutions that have medical schools. These are the institutions that the U of U competes against for federal research funding. Only 12 percent of the last \$1 billion used for construction at the U of U has come from state funding. The capacity to leverage these funds depends upon the base funds. Pres. Young discussed some specific research studies that are currently ongoing. The research funding is spread over all of the colleges at the U of U. For every state dollar that is put into the U, seven dollars flows put back into the economy. In the last three years, 74 companies have acquired \$100 million of venture capital from out of state. Pres. Young stated that the engineering initiative has been very successful. They are working with the College of Science and Education to train teachers in this area.

Dr. Chris Johnson is the Director of Scientific Computer Imaging at the University of Utah. Dr. Johnson discussed some of the current computer imaging research studies and projects that are underway. He spoke very positively of the USTAR program and how successful it has been at the U. He spoke of the tremendous economic funding received for each of these projects. He introduced Dr. Guido Gergig; who was hired through the USTAR clusters in Imaging Technology.

Dr. Guido Gergig, who is nationally recognized for Neuroimage Analysis, discussed some of the current research projects that he is working on. There is a great enthusiasm to have research across disciplines. The U of U is doing cutting edge research in a strong academic environment.

Rep. Holdaway thanked Dr. Johnson and Dr. Gergig for the work that they do and how much this research contributes to the State. Sen. Valentine thanked them for validating the USTAR program.

Rep. Moss asked Pres. Young asked if scientific imaging is a major or a program.

Pres. Young said that it is an Institute; students major in a more traditional field; but then work at the Institute.

Pres. Young said that Dr. Johnson and Dr. Gergig have attracted chaired professors from many other renowned institutions. Research grants come to the state because these individuals are here. This environment also means that if one leaves others will leave as well. If the core isn't supported, then the infrastructure goes away. He emphasized the importance of students in this pipeline.

Rep. Holdaway thanked Pres. Young for coming and for bringing individuals that demonstrate that the University is our flagship research institution. The Committee recognizes the work of the U of U. He mentioned that if it were possible to share this information with the entire Legislative body, the difficulties of convincing them of the needs of Higher Education would be easier.

Rep. Vickers thanked Pres. Young for his presentation. The investment in Higher Education provides a great return.

Rep. McIff wanted Pres. Young to know that this Committee is very committed to fund Higher Education.

4. UHEAA Dr. David Feitz; Executive Director. Utah Higher Education Assistance Authority is the student loan and financial aid organization of the Utah State Board of Regents. It is governed by a separate Board of Directors. It is the major financial aid provider for the state, 95,000 students received a total of \$404 million in student loans in fiscal 2008. It is also responsible for UtahMentor.org which has free statewide usage. UHEAA's default rate is below the national rate. UHEAA's operating budget is \$183 million; it has 193 employees, and no state appropriations for UHEAA operating expenses. UHEAA benefits borrowers through lower interest rates for students who pay back their loans on time. The *Wall Street Journal* stated that UHEAA is one of the best discount programs. The markets that were available to UHEAA for Student Loans have collapsed. Many of UHEAA's historical partners have left the program.

Rep. Holdaway asked if the market will change and return to more accessible student loans.

Dr. Feitz said he doesn't see this changing in the immediate future and that even though these loans are federally backed, the yield is so low that the lenders don't want to participate.

UHEAA has been able to fully fund loans with no delays for students. The loan volume has gone up 23 percent. Congress enacted the *Ensuring Continued Access to Student Loans Act of 2008*. The U.S. Secretary of Education is authorized to purchase student loans from UHEAA.

Because of these extenuating circumstances, UHEAA projects an operating loss this fiscal year, the first in its 32-year existence. It is saddled with higher-than-normal interest rates. It is planning on participating in federal financing vehicles, functioning as an originating lender to ensure student access to loans, controlling operating costs, restructuring existing debt, and finding new capital at an economical cost.

Rep. Holdaway said that the Legislature would be willing to write a letter of support for UHEAA.

Dr. Feitz will follow-up on the letter. He continued that there is a possibility that all student loans would be federally funded. UHEAA feels that this would not be beneficial for Utah students. If there are states that do not have a student loan program working well, it would be fine to have this at the federal level. But, UHEAA is a student loan program administered at the local level, is Utah-based and is not-for-profit.

Dr. Feitz also discussed the New Century Scholarship program; UHEAA serves as the backroom operations center. The program has grown since it began in 1999-2000 to over 2,293 students.

Rep. McIff asked if any students have been turned away for a loan.

Dr. Feitz said that every student who has qualified has been given a loan.

Representative Holdaway asked UHEAA how long they would be able to continue with business as usual given the current economic situation.

Dr. Feitz answered at least 18 months and perhaps sometime beyond that.

5. Other business:

Rep. Holdaway reported that the Executive Appropriations Committee is scheduled to meet on January 29th. The Higher Education committee will likely be getting some money back. The EAC wants to change the numbers rather than giving the money back on a pro rata basis. Rep. Holdaway wanted to emphasize that the Higher Education Subcommittee wants to make these decisions.

Rep. Daw pointed out that with money coming back perhaps there should be some small consideration for growth.

Rep. Wallis is of the position that if the money is removed pro rata, that is the only way to put it back. The institutions have all expressed interest in letting them determine how these funds are used.

Rep. Brown stated that the Subcommittee took the position that this Subcommittee wants the right to allocate funding that comes back to Higher Education. The first bridge to cross is that the EAC recognizes this.

Rep. Holdaway mentioned that the current estimate is somewhere between 2.5 and 3 percent on the backfill. He urged Committee members to keep the pressure on to maintain this.

Rep. Brown commented that Higher Ed took a disproportionate cut back in September, the Subcommittee should make the case that this should not happen again.

Rep. McIff asked if EAC will accept the decision to allow the Higher Education Subcommittee to determine where backfill money should be applied.

Rep. Holdaway said that we need to continue to encourage that.

Rep. McIff said that it is easier to handle vibrancy and growth. UVU was given \$10 million for growth. He is not prepared to depart from the pro rata approach. If an isolated time frame is considered this may not be representative.

Rep. Wallis agrees with Rep. Brown that the first step is to have the add back come back to the Subcommittee. This Subcommittee should work for a larger share.

Rep. Wheatley concurs with the statements that were made. He supports the pro rata motion.

Rep. Holdaway said that the Leadership teams are also working with the Governor.

Rep. Daw asked if a larger percentage is received, would there be potential to consider enrollment growth.

Rep. Vickers agrees with Rep. Wallis says that because this is for budgets that are already in place. This should not be used as an opportunity to shift money around.

MOTION: Rep. Brown moved to adjourn.

6. Committee Co-Chair Holdaway adjourned the meeting at 4:20 p.m.

Minutes were reported by Lorna Wells, Secretary.

Sen. John Valentine, Committee Co-Chair

Rep. Kory M. Holdaway, Committee Co-Chair